LIGHTATOUCH

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12 April, 2023

The Town Clerk

Alton Town Council

Town Hall

Market Square

Alton, Hants

GU34 1HD

Dear Leah

First Interim Internal Audit Report

Alton Town Council – April 2022 - June 2022

The Accounts and Audit (England) Regulations 2015 (as amended) require all Town and Parish Councils to undertake an effective internal audit to evaluate the effectiveness of their risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.

We confirm that we are independent of the Council.

The internal audit work to be carried out has been planned to enable us to give our opinion on the control objectives set out in the Annual Internal Auditor's Report on the 2022-23 Annual Governance and Accountability Return (AGAR).

We have complied with the legal requirements and proper practices set out in:

- 'Governance and Accountability for Local Councils – A Practitioners' Guide (England)' 2022
- The Accounts and Audit (England) Regulations 2015 (as amended).

Background
Alton Town Council had income and expenditure in 2021/2022 of between £1,000,000 and £1,500,000 and is subject to review by the External Auditor, PKF Littlejohn.

The completion of the Accountability and Governance Annual Return 2021/2022 was submitted to the External Auditor after 27 April 2022.

The Conclusion of Audit Notice for 2021/2022 is yet to be issued by the External Auditor and will only be sent at a date after the completion period for the Exercise of Public Rights on Friday 23 July 2022.

The Council is not a sole managing trustee.

It is good practice for the Council to comply with the Local Government Transparency Code 2015.

The Council's accounting records are maintained on RBS Omega Software

The Town Hall is now open to the general public and provide an open service where they are able to meet face to face without making an appointment.

The Town Council are received CIL money from East Hampshire District Council of £180,718.69. The Town Clerk has indicated that these monies have been allocated to the Community Hub project of £150,339 and further purchases for new rugby goals posts of £8000 for Anstey Park, yet to be purchased.

At the meeting of Council on 28 April 2022 it is noted that significant capital works programmes have been approved including:

- Footpaths at St Lawrence Churchyard
- Tree works at various sites
- The purchase of a Kabuto Tractor
- Secondary Double Glazing at the Town Hall

We have checked and tested the tender and quotation process for the various tree works and the purchase of the Kabuto Tractor and are satisfied that the processes followed to appoint the contractors have followed the requirements recorded in financial regulations and standing orders. We have noted however, that the placement of double glazing at the Town Hall will no longer go ahead.

In our previous internal audit report, we recorded that the Town Council were to wind up the resilience fund in 2022/2023. We have noted that income is still being received in the first quarter of 2022/2023. We have checked with the Assistant to the Town Clerk and have been informed that the fund was given £1,500 from a fundraising event specifically for the Ukraine along with a further £500 for textbooks for English as a second language. At the end of March 2022, the balance on the account was £23,800. A reaming balance of £10,330 is to be distributed and the plan is to close this account by 31st December 2022.

We are concerned that although further deposits £350,000 have been made to CCLA in the first quarter of 2022/2023 that the balance held on the current account of £560,238.68 as at 30 June 2022 remains high. The Town Council should consider whether further funds should be deposited into other investments accounts to reduce the balance held in the current account. We understand that Policy and Resources Committee will be reviewing the opportunity to transfer further deposits into CCLA at their next meeting in July 2022.

The Society of Local Council Clerks has recently called for Councils to encourage them to undertake calculations to stress test and assess what impact a single figure increase (of 1% or 2%) on their Precept for 2023/2024 would be on their Councils budgets in light of the current rate of inflation running at over 9%. The Council should ask themselves the following questions:

- What is the impact of inflation on budgets?
- Can a balanced budget be set for 2023/2024 even with a small increase in the Precept for 2023/2024?
- Has the Council taken our cash reserves to set the 2022/2023 budget, if so can the Council sustain taking further cash reserves in 2023/2024?
- What is the overall level of reserves that can support the revenue budget overall?

We acknowledge that the Council have already set aside a 10% contingency in their budget for 2022/2023 which will absorb any inflationary rise of at this level. We have agreed with the Town Clerk that this continue to be reviewed during 2022/2023 and further recommendations to the full Town Council will be made if there is added pressure of the budgets going forward.

This audit visit was agreed with the Town Clerk and the Finance and Administration Manager to be carried out on Thursday 14 July 2022 at the Town Council Offices.

Internal audit checks

We have undertaken a series of audit tests on the Council's financial records, vouchers, documents, Minutes, policies, procedures, and insurance documentation to ascertain the efficiency and effectiveness of the Town Council's internal control framework. This internal audit report is based on the audit testing carried out at the visit.

During this visit we checked, and sample tested the following:

- Minutes of Council and Committee Meetings
- Policies and Procedures
- Bank and cash
- Investments
- Petty Cash
- Insurance
- Budgetary Management
- Income and Expenditure
- Contract Arrangements
- Payroll
- Financial Risk Assessment
- Transparency of the Council website

Findings

Details of good practice noted, our recommendations and other matters to be brought to the Council's attention are set out below.

Good practice

- The Council continues to maintain its books and records on RBS Omega Software.
- Staff are aware of the requirements of GDPR
- The Council is registered with the ICO.
- Details of total payments authorised at meetings are recorded in the Minutes.
- Income records including cash, cheque and sum up transactions are appropriate and recorded correctly
- All expenditure items could be traced and are recorded correctly in the financial ledger.
- Outstanding debts are monitored and controlled to minimise the sums outstanding.
- Petty cash is maintained, recorded, and approved appropriately.
- All records continue to be up to date and easy to follow.
- The Council take an active scrutiny role.
- The Council maintain a strong investment position.
- The Insurance cover is sufficient for the needs of the Town Council.
- Contract and Tendering arrangements adhere to those recorded in Financial Regulations.
- The budgeting process is detailed, thorough and monitored throughout the year.
- Bank reconciliations are carried out each month and were accurate.
- Payroll information is calculated correctly, showing appropriate deductions for PAYE, National Insurance and Pension Contributions.
- Sales Invoices are raised when appropriate to record income due to the Council.
- The Council's website continues to meet the requirements of the Transparency Code Regulation 2015.

Recommendations

Sum Up

- An authenticity check should be carried out by the Administration and Finance Manager on the monthly cash sheets to ensure that all sum up details are recorded accurately and deductions made for commission charges are correct and net total is shown on the bank statement. The Administration and Finance Manager should sign the monthly cash sheet to agree that the totals have been checked.

Bank Reconciliations.

- the Chairman of the Policy and Resources Committee should sign and date the bank reconciliations quarterly to confirm that bank reconciliations have been carried out accurately as part of Town Council scrutiny role.

Petty Cash Account

- It was agreed with the Assistant to the Town Clerk that the practice of paying in cash to the Petty Cash tin will be discontinued. All income will in future be posted on the cash summary sheet and form part of the banking paid into the Town Council bank current account.

BACS Authorisation

- The current process of receiving email confirmation from Councillors that approval of BACS payments has been carried out and payments sent to the bank should be strengthened. Each Councillor should be asked to record and confirm in their email that they have undertaken sufficient checks to satisfy themselves that payment to the bank can be released. This confirmation should be emailed to the Assistant to the Town Clerk and held on file for internal audit inspection.

Other matters of note brought to the Council's attention

- A review of the financial risk documentation has been carried out at this Internal Audit Review and an updated version for 2022/2023 will be reported separately to the Town Council.

Conclusion
Based on the tests we have carried out at this interim internal audit visit, in our view, the internal control procedures in operation are appropriate to meet the needs of Alton Town Council except where we have made recommendations in this report.

Next review

The next internal audit visit has been arranged for **Thursday 19 January 2023**.

At this visit detailed checks will be carried out on:

- Minutes of Council Meetings
- Bank and cash
- Investments
- Income and expenditure
- Budget update 2022/2023
- VAT claims
- Contracts of Employment
- Payroll
- Transparency Regulation 2015

Next Steps

This report should be noted and taken to the next meeting of the Town Council.

The Council should decide what action will be taken on the recommendations we have made.

Tim Light FMAAT
Internal auditor